Where do we Grow from here?

A Way Forward for Ontario's Tender Fruit and Grape Growers

Presented By: Tim Hudak, MPP Niagara West-Glanbrook • July 3, 2008

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Table of Contents:

1.0 - Executive Summary ………………………………………………… 1

2.0 - A Tender Fruit Industry in Crisis ………………………………… 3
    2.1 - The "Big Three" Closures ………………………………………… 3

3.0 - Impact of the Greenbelt Legislation …………………………… 5
    3.1 - Map of Greenbelt Area ……………………………………………… 6

4.0 - What the Other Jurisdictions Are Doing ……………………… 7
    4.1 - Federal ………………………………………………………………… 7
    4.2 - Provincial …………………………………………………………… 8

5.0 - Solutions: Where Do We Grow From Here? …………………… 10
    5.1 - Replant Strategy …………………………………………………… 10
    5.2 - Irrigation System ………………………………………………… 11
    5.3 - Value Added Incentives ………………………………………… 12
    5.4 - Market Access Program ………………………………………… 13
    5.5 - Better Promotion of Ontario Products ……………………… 14

6.0 - Conclusions …………………………………………………………… 16

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Niagara West-Glanbrook

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1.0 - Executive Summary

From the blossoming peach and cherry orchards to the burgeoning vineyards within view of the blue waters of Lake Ontario, Niagara's tender fruit and grape region is truly a national treasure.

Niagara peach trees in bloom.

When the Ontario Government passed the Greenbelt Act in 2005, it effectively locked Niagara's tender fruit and grape land into agricultural production in perpetuity. Unfortunately, the Ontario Government seems to have forgotten the popular expression: if you want to save the farmland, save the farmer. In its efforts to preserve high quality agricultural land, the Province neglected to complement its stringent land use restrictions with an economic plan to ensure that locked-in farmers would have a profitable market to access.

Today, the Ontario Government faces the first real test of its commitment to the Greenbelt Act.

Since 2005, tender fruit and grape farmers have been hit hard by closures of three major value-added processors, affecting hundreds of growers and leaving 6,000 acres of prime agricultural land without a market. Talented local growers are competing with subsidized competition from abroad while addressing pressures on the domestic cost of production stemming from new regulations such as minimum wage hikes, red tape and other provincial government initiatives and higher industry standards.

Without provincial government action, there is significant risk that thousands of acres of formerly productive tender fruit and grape lands will form a growing agricultural brownfield within the Greenbelt.

Where Do We Grow From Here: A Way Forward for Niagara's Tender Fruit and Grape Growers provides a detailed overview of the challenges the industry is facing, takes a look at programs implemented by the federal and other provincial governments, and makes recommendations to help revitalize the tender fruit and grape industries.

Some of the recommendations in the report include:

REPLANT PROGRAM: In order to respond to the loss of three value added manufacturing sites in Niagara, which stranded 6,000 acres of tender fruit and grape lands without a market, the Province of Ontario should invest in a tender fruit and grape replant program similar to that currently in place in other major horticultural provinces.

IRRIGATION SYSTEM: When the next round of a Canada-Ontario infrastructure program is launched, a cost-shared universal irrigation system in Niagara should be a priority project.

VALUE ADDED INCENTIVES: On farm value-adding activities can generate new products and new jobs, as well as open new markets to Ontario's growers. However, in order to be successful, the grower needs relief from the almost impossibly steep tax burden. The Province of Ontario should immediately amend the Ontario Assessment Act to eliminate the tax penalty on agricultural innovation and encourage on-farm value added production.

MARKET ACCESS PROGRAM: The Government of Canada should create a national Market Access Program to help Canadian agricultural producers expand their export market. The Market Access Program should direct sufficient funds to the products of farmers to help those facing tight land use restrictions such as the Greenbelt Act in Ontario and its equivalent in other provinces.

BUY ONTARIO POLICY: The Province of Ontario should adopt the proposal of the Ontario PC Party to institute a Buy Ontario Policy within government. The province would lead by example by encouraging provincial ministries and the agencies they fund (including hospitals, schools and long-term care homes) to purchase Ontario-produced products, including fruits, vegetables and meats.

ONTARIO VQA WINE STORES: The Province of Ontario should take a two pronged approach to increase Ontario VQA wine sales. First, it should set aggressive targets – the total market for VQA wines should grow roughly 20 per cent per year for the next five years – for increased VQA wine sales in the LCBO and incent LCBO employees to reach that target. This would offset any surpluses resulting from a grape replant program. Secondly, the Province of Ontario should allow for a parallel system of private retail stores that specialize in Ontario VQA wine to open up in Ontario.

TRUTH IN LABELLING: Wines currently only require a minimum of 75 per cent Canadian-grown grapes to receive the slogan “Product of Canada” on their label. The designation “Cellared in Canada” only requires 30 per cent domestic grapes. The Canadian wine industry should take the lead and subject Canadian wines to more clear labeling standards in the spirit of the Harper Government’s recent Canadian Food Labeling Initiative.

DIRECTIONAL SIGNAGE FOR FARMS: The McGuinty Government should pass into law Ontario PC Agriculture Critic Ernie Hardeman’s private member’s bill (Bill 98) that would allow farmers to post seasonal directional signage on private property adjacent to a provincial highway to bring people to the farm.

These recommendations are based on the helpful advice provided by local farmers, industry organizations, municipal leaders and concerned residents in the Greenbelt. I thank them one and all for their thoughtful insight. I look forward to working with them and the Governments of Ontario and Canada in my capacity as the Member of Provincial Parliament for Niagara West-Glanbrook to help address the significant challenges faced by tender fruit and grape growers.

Tim Hudak, MPP
Niagara West - Glanbrook

2.0 - Tender Fruit Industry in Crisis – A Gaping Brownfield in the Greenbelt?

Ontario is by far the largest tender fruit-producing province in Canada. Its 2006 crop estimated at 39,485 metric tonnes and worth over $35 million at the farm gate generated about $175 million in economic activity. Ontario accounts for 69 per cent of Canada's entire tender fruit production. More than 700 growers farm roughly 12,000 acres of tender fruit land in Ontario, 85 per cent of which is located in the Niagara region.

Ontario is also Canada's top grape producer, accounting for 80 per cent of all Canadian production. Its 2006 crop produced 64,178 tonnes in sales and a farm gate income of $68.5 million. The Ontario grape and wine sector generates almost one half of a billion dollars in annual retail sales, more than $100 million in wages and $245 million in tax revenues. More than 600 grape growers tend to approximately 15,000 acres under the vine for Ontario's 130 wineries. The Niagara region accounts for 90 per cent of Ontario's grape production and is the world's largest producer of icewine.

Niagara and Ontario residents, as well as tourists visiting from around the globe, enjoy the beautiful blossoms in spring or having a glass of wine while overlooking a rolling vineyard. However, recent economic developments and government inaction have put far too many acres at risk. Local residents and those reading newspapers or watching television reports saw heart wrenching scene of tens of thousands of fruit trees being uprooted and formerly lush fields left empty in the wake of closure of Ontario's last fruit cannery. As a result of three Niagara based fruit processing plants ceasing operations, some 6,000 acres of tender fruit or grape land were without a market. As a result, there is a growing brownfield of unused or underutilized tender fruit and grape land in the much vaunted Greenbelt.

The Big Three Closures

The 2007 growing season proved to be a trying one for both tender fruit and grape growers. In addition to near drought conditions, unfavourable exchange rates, increasing costs of production and import competition caused the tender fruit industry to fall on hard times.

With the exception of sour cherries for processing, crop volumes and values for tender fruit (peaches, pears, plums, prunes and sweet cherries) decreased last year in both the processing and fresh markets. The hardest hit was sweet cherries for processing, which saw a 72 per cent decrease in sales in 2007.

This was largely attributed to the decision of a major processor, **Cherry Lane Frozen Fruit** in Vineland, to discontinue purchasing local

About 6,000 acres of tender fruit land has been affected by the closure of three major processors in Niagara, including these peach trees, which were pulled out this spring.

sweet cherries as a result of declining exchange rates and import competition. This loss of market affected about 200 acres and dropped the total farm gate for sweet cherries for processing from $245,000 in 2006 to just $68,000 in 2007.

Total processing sales for grape growers (wines, icewine and late harvest wine, jams and juice, and homemade winemaking and distilling) also took a hit, down nearly 8,000 metric tonnes in 2007 to 56,315 tonnes.

Juice grape growers saw the most significant decline in sales, as the **Cadbury-Schweppes** processing plant in St. Catharines – which was responsible for processing about half of the 10,231 tonnes of juice grapes harvested in 2006 – closed in June 2007. The plant had been open for nearly 60 years.

The closure directly affected 105 juice grape growers and put 26 plant employees out of work. Juice grape processing sales (concord and Niagara white grapes) decreased to 3,755 tonnes in 2007 – a 63 per cent decline. As a direct result of this plant closure, about 1,700 acres of juice grape vines were pulled out last year. Another 1,500 acres are expected to be pulled out this year.

The bad news for Niagara's tender fruit growers would continue into the new year, as **CanGro Foods Inc**. – which processed clingstone peaches and pears under the labels Del Monte, Almer and Ideal – announced plans in January 2008 to close its plant in St. Davids. CanGro simultaneously announced plans to close its vegetable processing plant in Exeter, Ont. as well.

In 2006, 30 per cent of Ontario's tender fruit production went into processing. The CanGro plant in St. Davids, which had been in operation for more than 100 years, was the only major fruit canning facility in all of North America east of the Rocky Mountains and was the major destination for Ontario's processing pears and peaches.

Tonnage of Ontario Tender Fruit

	2006	2007	+/- %
Fresh Market			
Peaches	18539	15569	-16.0
Pears	4555	2672	-41.4
Plums/Prunes	3009	1119	-62.8
Processing			
Sweet Cherries	422	50	-88.2
Sour Cherries	3157	7864	+149
Pears	3677	1529	-58.5
Peaches	6126	5613	-8.4
TOTAL	39485	34416	-12.7

Value of Ontario Tender Fruit ($000)

	2006	2007	+/- %
Fresh Market			
Peaches	19837	17035	-14.1
Pears	4355	2843	-34.7
Plums/Prunes	4408	1947	-55.8
Processing			
Sweet Cherries	245	68	-72.3
Sour Cherries	1457	4072	+180
Pears	1865	813	-56.4
Peaches	3181	2977	-6.4
TOTAL	35348	29755	-15.8

Tonnage of Ontario Grapes

	2006	2007	+/- %
Processing			
Wines	46669	46287	-0.8
Icewine/ Late Harvest	6294	5942	-5.6
Jams/Juice	10231	3755	-63.3
Home Winemaking	984	331	-66.4
TOTAL	64178	56315	-12.3
TOTAL VALUE ($000)			
	68500	74900	+9.3

The St. Davids plant was producing 25 per cent of the canned peaches and pears consumed in Canada. The remaining 75 per cent came from imported product. CanGro Foods Inc. will continue to process peaches and pears for the Ontario market under Del Monte, Almer and Ideal, but unfortunately the product will be strictly imported from foreign markets.

The average annual farm gate value of the crops affected by the CanGro closure was about $2.5 million in clingstone peaches and $1.8 million in processing pears, which generated about $25 million in sales of canned fruit. About 150 tender fruit growers who supplied the plant were left without a market for 10,000 tonnes of product grown on about 2,600 acres of Greenbelt farmland (2,000 peaches, 600 pears).

About 1,200 acres of clingstone peaches will be re-directed to the frozen market in Vineland and Michigan, and about 400 acres of Bartlett pears will be retained for the fresh market. The remainder of the acreage has been pulled out or soon will be.

As a result of the CanGro, Cadbury-Schweppes and Cherry Lane closures alone, roughly 6,000 acres of prime Greenbelt farmland will have to be ripped out or find some room in the already tight fresh or frozen markets. In other words, about 22 per cent of the total market for grapes and tender fruit in Ontario will have to find a new home or effectively remain an agricultural brownfield.

A sign of optimism for the years ahead, however, is in the grape and wine making industry. Despite a decrease in overall tonnage in 2007 and the closure of Cadbury-Schweppes grape juice plant, an increase in prices that wineries paid for grapes boosted the annual farm gate for grapes to $74.9 million (an increase of more than $6 million over 2006). However, a potential surplus of wine grapes in 2008 combined with government barriers to market access for Ontario wine will mitigate this increase going forward.

3.0 - Impact of the Greenbelt Legislation

Under the Greenbelt Act, 2005, the provincial government froze the land use of 1.8 million acres of property across southern Ontario, of which 1.2 million acres is farmland. The legislation severely restricts development on Greenbelt lands and imposes the tightest restrictions on tender fruit and grape lands.

Within the 1.2 million acres of Greenbelt farmland are lands designated as “specialty crop areas”. There are only two specialty crop areas in the entire Greenbelt: Niagara tender fruit and grape lands and the Holland Marsh. The provincial government conferred this distinction because, according to government officials, the soil and climate conditions make the designated acres conducive to growing specific types of crops. Designation as a specialty crop or agricultural property under the Greenbelt is non-negotiable and permanent.

In response to the very tight and permanent provincial restrictions placed on specialty crop areas, farmers and municipal leaders within the Greenbelt have argued that the provincial government has a duty to implement an economic plan to ensure Greenbelt farmers have access to a market for their specialty crop.

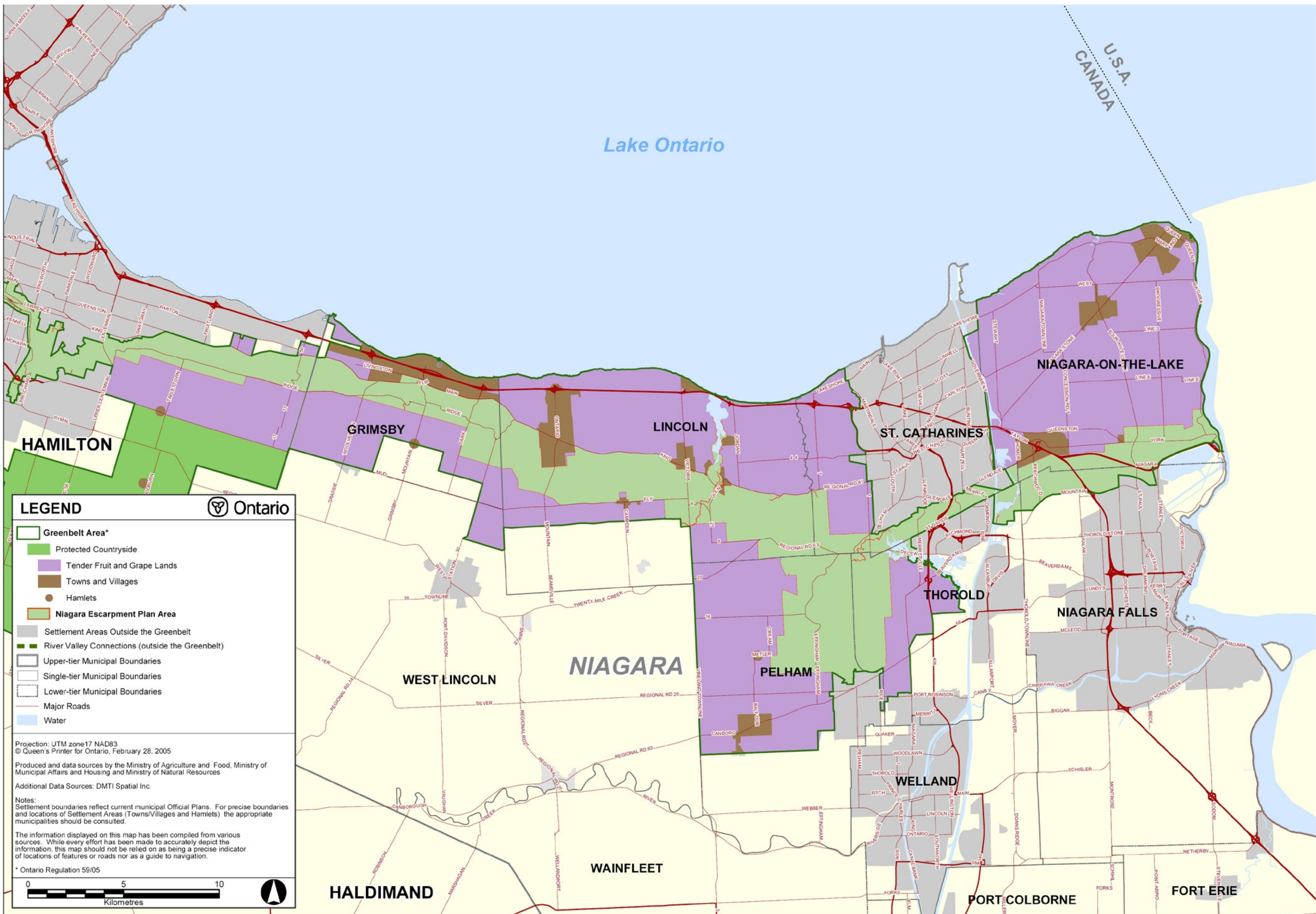
We can all support the preservation of high-quality farmland in Ontario, but as the saying goes – if you want to save the farmland, save the farmer.

The Province of Ontario’s Greenbelt Act is currently facing its first true test. Given that the provincial government has frozen specialty crop farmers’ lands as agricultural in perpetuity and has imposed strict regulations on what they can do with their land, then the provincial government has a reciprocal obligation to help farmers find a profitable market for their product.

To date, the McGuinty Government has been an absentee landlord. Its continued inaction threatens to establish thousands of acres of agricultural brownfield within the Greenbelt.

At the very least, the provincial government should immediately commence an economic impact study of the Greenbelt Act as requested by local farmers, other residents and municipal leaders.

Most importantly, the Province of Ontario must act today to assist tender fruit farmers and grape growers impacted by the three closures and help build a sustainable and profitable market for specialty crop farmers in the Greenbelt. The next section on other Canadian horticultural jurisdictions will provide some insight into potential initiatives for Ontario.



Niagara Peninsula Tender Fruit and Grape Area

Greenbelt Plan 2005

4.0 - What Other Jurisdictions Are Doing

Ontario tree fruit and grape growers find themselves at a competitive disadvantage compared to their counterparts in other provinces. Other provinces with significant populations of grape or tree fruit farmers have been far more active in supporting their growers coping with competition from abroad and changing markets, most notably through replant programs.

British Columbia is in its 18th year of a tree fruit replant program. Nova Scotia is in its third year (apple replant) and Quebec just started an apple replant program this year.

Ontario needs to renew its orchards and vineyards in order to compete with other countries like China, which has a younger average orchard infrastructure. A replant program would provide growers with higher returns per acre and bring into production varieties of fruit that are more in demand, are more attractive to consumers and retailers, and have greater resistance to pests. Higher density planting also reduces operating costs by requiring less labour and crop protection materials.

4.1 - Federal Government:

Orchards and Vineyards Transition Program

Announced in February 2008, the Orchards and Vineyards Transition Program (OVTP) is designed as a joint federal and provincial program to help grape, apple and tender fruit producers adapt to industry pressures and changing markets.

The federal government committed $22.3 million for Ontario growers or up to $1,618.74 per eligible acre for orchard and/or vineyard stock removal and disposal costs, up to a maximum of $800,000 per applicant over the lifetime of the program. A producer may submit an application form at any time before September 30, 2010. The program also provides funding for market research to improve the long-term profitability of the industry.

The following crops are eligible under the program: apples (all), grapes (all), nectarines, peaches, pears, plums, apricots, and cherries (sour and sweet). Producers who participate in the Orchards and Vineyards Transition Program will have to commit to keeping the land available for agriculture for five years.

Through the OVTP, the federal government has provided funding to complement other provinces' replant programs, including $8 million to British Columbia, $5.6 million to Quebec and $2.3 million to Nova Scotia.

Unfortunately, while the spirit of the OVTP is a federal-provincial partnership, the Ontario government has not committed any matching funding to its growers through this program.

Canadian Food Labeling Initiative

On May 21, 2008, Prime Minister Stephen Harper unveiled The Canadian Food Labeling Initiative, which, once implemented, will provide clearer and accurate new standards for food labels in Canada. This initiative will help Canadian consumers make informed decisions at the grocery store and was therefore welcomed by local growers. By clearly defining what it means to be "Made in Canada" and a "Product of Canada", Canadian shoppers will know when they are buying local and not the foreign competition in disguise.

Under the new initiative, the "**Product of Canada**" slogan can be used on labels if all of the major ingredients, processing and labour used to make a food product are Canadian. There would be very little or no foreign ingredients except, for example, minor additives or spices that are not produced in Canada.

The slogan "**Made in Canada**" would be used on labels of products where the manufacturing and processing has been done in Canada regardless of where the ingredients came from. In order to make this claim, however, the last substantial transformation of the product must have occurred in Canada. And still the term must be qualified by phrases such as "Made in Canada from domestic and imported ingredients" or "Made in Canada from imported ingredients".

The Government of Canada is currently seeking public consultation regarding the proposed labeling initiative. Anyone can provide comments via an online form at www.healthycanadians.ca or by calling 1-800-442-2342.

4.2 – Provincial Governments:

Ontario:

While the Government of Ontario has yet to join the Orchards and Vineyards Transition Program, it has provided some funding in response to the recent changes affecting the industry.

On June 19, 2007, in response to the Cadbury-Scweppes closure, Agriculture Minister Leona Dombrowsky announced a $3.8 million transition program for Ontario juice grape growers. Under the transition program, the province paid qualified juice grape growers $1,500 per acre to remove and dispose of vineyard stock that was not being used for production.

This program, however, did not go far enough. While it helped pay to uproot vines, there was no funding to help growers replant wine grapes or otherwise help them transition to another product.

The program also set hasty eligibility deadlines for juice grape growers. Farmers were given until July 22, 2007 to have their vines cut down and to November 30, 2007 to have them fully removed in order to receive funding. This meant that many growers, who had already invested in their juice grape crop that year, had to choose between harvesting their crop and seeing a return on their investment or ripping out the vines to make use of the pullout program funding.

British Columbia:

A provincially funded replant program for tree fruits has been in place in British Columbia since 1991. Approximately 10,000 acres of replanting has been funded under the program (6,000 acres apples and 4,000 acres of stone fruits and pears) over the years. The cost of the program to the province has averaged about $3 million per year. The program, well accepted by growers, has

provided a very significant contribution to the industry and has been the archetype for replant programs in Quebec and Nova Scotia.

The B.C. program evolved to adapt a flexible approach to include all components of the industry, including the small direct farm market growers, the organic and the large commercial growers. The grant for soft fruit and pears is $5 per tree to a maximum of 800 trees per acre or $4,000 per acre.

Quebec:

The Government of Quebec announced last year it will invest $12 million in a replanting initiative for new varieties of apple trees. The replant program will help Quebec growers modernize their orchards, increase the variety of fruit grown, and transition to more profitable and viable crops to better compete in the global marketplace.

The $12 million provincial aid program runs to March 31, 2012. The combined $17.6 million ($5.6 million federal and $12 million provincial) pullout and replant program will help the Quebec orchard and vineyard industries in three areas: $230,000 to develop strategic commodity plans to improve the long-term profitability of growers' operations; $4,000 per hectare to fund the removal of existing fruit trees and vines; and finally, $6,600 per hectare for the replanting of dwarf apple trees and $4,000 for semi-dwarf trees (to a maximum of 25 per cent of a farmer’s total acreage of apple trees).

Ontario is the only major grape and tender fruit producing Canadian province without a replant program.

Nova Scotia:

The Government of Nova Scotia announced its replant program in November 2005. It has committed $1.5 million in support of the tree fruit and grape growers, including a Honeycrisp Orchard Renewal Program (HCORP), that is helping commercial apple growers in Nova Scotia replant orchards with the popular new variety of apple.

The five-year HCORP is a province-wide apple replant program administered by the Nova Scotia Fruit Growers Association. Over 600 acres of Honeycrisp apple trees are expected to be planted over the life of the program.

5.0 - Solutions: Where Do We Grow From Here?

5.1 - Replant Strategy

A replant program will renew orchards and vineyards with varieties and rootstocks that will allow Ontario farmers to deliver higher quality fruits and grape varieties that are more in demand in the marketplace. Replanting also will give farmers higher returns per acre, reduce operating costs and help alleviate the difficult times the tender fruit industry is currently experiencing.

Replanting also has environmental benefits, as newly laid out orchards require less crop protection material and allow for more efficient irrigation systems, which conserve the use of water.

Canada's other major tender fruit producers – British Columbia, Quebec and Nova Scotia – all have their own province-wide replant programs. To date, the Government of Ontario has not provided any funding for a replant program.

Both the Ontario Tender Fruit Producers' Marketing Board (OTFPMB) and the Grape Growers of Ontario (GGO) have lobbied the federal and provincial governments to fund a national replant strategy. Both commodity organizations have devised their own strategy structured in a similar manner.

Projected Costs of the Replant Program

Program	**(Annual)**	**(Overall)**
Tender Fruit	$2.3 million	$16 million
Grapes	$3.5 million	$24.5 million
TOTAL	**$ 5.8 million**	**$40.5 million**

The OTFPMB proposed a cost-shared strategy between the federal and provincial governments and the growers. Each would pay 1/3 of the costs, based on the estimated minimum cost of $12,000 per acre to cover all pre-harvest expenses. The total provincial share (to replant tender fruit and apples) was estimated to be $33.5 million over seven years. Tender fruit alone would cost about $16 million.

GGO proposed the federal and provincial governments also each pay $4,000 per acre for a grape replant, although the estimated minimum cost to plant grapes according to the Ontario Ministry of Agriculture is twice the cost of tender fruit at $24,000 per acre. In this case, the federal and provincial governments would combine to cover 1/3 of the cost, as opposed to covering 1/3 each. Under the GGO plan, the federal and provincial governments would need to commit to $49 million ($24.5 million each) over seven years.

A replant program will renew orchards and vineyards with varieties and rootstocks that will allow Ontario farmers to deliver higher quality fruits and grape varieties that are more in demand in the marketplace.

The $4,000 per acre contribution is consistent with the British Columbia model, which has worked successfully for tender fruit and pear growers since 1991. British Columbia has, on average, allocated $3 million per year for its replant program, however B.C. produces far less tender fruit and grapes than Ontario.

In Ontario, the OTFPMB proposal requires a provincial government investment of $2.3 million over seven years for a tender fruit replant. The GGO proposal requires a provincial government investment of $3.5 million per year. Therefore, the total requested provincial investment in the specialty crops

replant program would be would be $40.5 million or $5.8 million per year over seven years.

According to its advocates, the return on investment for the grape portion of the replant program alone is estimated to be $4,600 per year for every $4,000 per acre investment. Also, they estimate the Province of Ontario would receive almost $56 million when provincial taxes and LCBO profits are factored in.

In order to respond to the loss of three value added manufacturing sites in Niagara stranding 6,000 acres of tender fruit and grape lands without a market, the Province of Ontario should invest in a tender fruit and grape replant program similar to that currently in place in other provinces.

Given the inaction to date of the McGuinty Government in the face of these closures, funding to support the program should come from the Ministry of Finance's Contingency Fund and from additional provincial revenues stemming from new Ontario VQA Wine Stores (Recommendation 5.5 below).

It takes about five years for tender fruit trees to mature to the point where they produce fruit suitable for the market (be it for the processing or fresh markets). Some financial assistance for growers is needed to offset the losses experienced during this transition.

5.2 - Irrigation System

All tender fruit crops with the exception of sour cherries declined in volume and value of sales in 2007. A significant determining factor was the drought conditions experienced in Niagara throughout most of the growing season. Local farmers saw the 2007 crop as an unfortunate demonstration of the need of a universal irrigation system in the fruit and grape producing areas of Niagara.

Once thought of as a luxury, irrigation will soon become a necessity to meet ever-increasing quality and size preferences of consumers. Irrigation systems have been installed in leading horticultural areas around the world from California to Israel. British Columbia has had an irrigation system for a century, yet Ontario – Canada's largest producer of grapes and tender fruit – still does not have a universal system for the vast majority of these vital farmlands.

The benefits of having a universal irrigation system are straightforward: access to a plentiful and dependable water supply increases the size, quality and consistency of the fruit; productivity improves for the grower; and tax revenues subsequently increase for government, particularly for the provincial government.

The Region of Niagara has conducted a comprehensive study, partly funded by the federal and provincial governments, on the feasibility of establishing an irrigation system in Niagara. The study recommends building upon an existing system in Niagara-on-the-Lake to deliver water from Lake Ontario to farmers below the Niagara escarpment from Lincoln to the Niagara River.

Projected Costs of Irrigation	
Provincial	$31.7 million $2.1 million (average annual)
Direct Benefit to Growers	
Tender Fruit	$7.7 million
Wine Grapes	$7.5 million
Horticulture/ Greenhouse	$0.54 million
TOTAL	**$15.7 million**
Provincial Economic Benefits	
Tender Fruit	$23.1 million
Wine Grapes	$80.6 million
Horticulture/ Greenhouse	$754,000
TOTAL	**$104.4 million**

The district that includes Lincoln and western St. Catharines below the escarpment is recommended to be developed in four phases over a period of about 15 years. The total cost of developing this district's irrigation is $75 million, the first phase of which would cost an estimated $21.2 million. It is recommended that the Niagara-on-the-Lake irrigation infrastructure be completed at the same time as Phase 1 of the western project. Completion of the Niagara-on-the-Lake system would cost an estimated $19 million. These areas comprise the majority of the Niagara specialty crop areas in the Greenbelt.

Given the large cost of the project, it is clear that neither the growers nor the Region of Niagara could make the required investment alone. The Region of Niagara's study recommends that the federal, provincial and regional governments each pay 1/3 of the project costs. The growers would be responsible for any cost to connect their properties to the irrigation system.

The study estimates that proper and reliable irrigation would enhance fruit and grape production by an average of 10 per cent relative to the current non-irrigated production. Considering this and assuming that all of the growers would buy in to the system as soon as it became available to them, the direct economic benefits to the growers (tender fruit, grapes, horticulture and greenhouse combined) would be an average of $12.7 million per year.

The study also estimates the indirect economic benefits the irrigation system would have regionally, provincially and federally. The methodology to calculate the indirect benefits for the province included several factors such as tax revenues, job creation and other economic stimuli such as the purchase of additional machinery and supplies to harvest the increased production. Based on these assumptions, the study found the indirect benefit of the irrigation system to the Government of Ontario would be more than $104 million annually once the system is fully operational.

Unfortunately, there is no active Canada-Ontario infrastructure program for which an irrigation system would be eligible. When the next round of a Canada-Ontario infrastructure program is launched, a cost-shared universal irrigation system in Niagara should be a priority project.

5.3 - Value Added Incentives

When it comes to encouraging on-farm value added production, the government's right hand does not know what the left hand is doing.

On-farm value-adding activities can be any manner of on-site operation that increases the value or expands the customer base for the farmer's commodity or product. For tender fruit, this could include canning, drying, packing and pitting to name a few. Value added manufacturing will help create jobs and investment in agribusiness and increase acreage in agricultural production.

Both Ontario's Ministry of Agriculture, Food and Rural Affairs and Canada's Department of Agriculture have been strong advocates of on-farm value added production. However, Ontario's Ministry of Finance's tax policy penalizes farmers who invest in these activities.

Under Ministry of Finance's Ontario Assessment Act and its companion regulations – implemented by Municipal Property Assessment Corporation (MPAC) – farm buildings that conduct value-added activities are classified as industrial activities. In Niagara, the average basic industrial tax rate is about 15 times higher than the average agricultural rate. Even value-added activities that are classified by MPAC as commercial face a tax rate 10 times higher than the agricultural rate.

Two cherry processors – Jordan Frozen Fruit and Cedar Springs Cherry Growers – are just a couple examples of operations that were forced out of business due to high industrial taxes. The

taxes being applied to on farm value-added activities makes it difficult, if not impossible, for growers to run a successful operation or invest in an expansion in the first place. Any increased value a grower may have added to his product at the behest of the Ministry of Agriculture gets eaten up by the punitive tax assigned by the Ministry of Finance.

In the recent cases of maple syrup/sugar shacks and horse farms, the Ministry of Finance responded only when significant media coverage brought the tax penalty to light. Even then, it was on an ad-hoc basis. There are many studies including the Beaubien Report of 2002 that have called for a fair, consistent and appropriate solution to the disincentives around value added production in agriculture.

On farm value-adding activities can generate new products and new jobs, as well as open new markets to Ontario's growers. However, in order to be successful, the grower needs relief from this almost impossibly steep tax burden. The Province of Ontario should immediately amend the Ontario Assessment Act to eliminate the tax penalty on agricultural innovation and encourage on-farm value added production. Small Greenbelt municipalities should be compensated for subsequent revenue loss through improvements to the Ontario Municipal Partnership Program (OMPF).

2007 Municipal Tax Rates

Lincoln	
Farmland	0.00357428
Commercial	0.03642927
Industrial	0.05652349
Grimsby	
Farmland	0.00371672
Commercial	0.03743106
Industrial	0.05802163
Niagara-on-the-Lake	
Farmland	0.00291660
Commercial	0.03180276
Industrial	0.04960449

5.4 - Market Access Program

The U.S. Department of Agriculture funds an initiative called the Market Access Program (MAP), formerly known as the Market Promotion Program. Under MAP, $200 million in grants are distributed annually to help finance promotional activities for American agricultural products. It opens new export markets for farmers, counters the risk posed by foreign competition, and increases commercial sales of U.S. agricultural products.

Eligible projects for MAP funding include consumer promotions, market research, technical assistance, and trade servicing. In order to continue to receive funding, each grant recipient must go through a competitive review that compares their performance based on four weighted criteria: contributions (40%), export performance (30%), export goals (15%), and accuracy of past projected export goals (15%).

On the ground, MAP allows a wide variety of American agricultural commodity groups - from tender fruit to grapes to livestock - to lobby retailers to sell and promote American products in large consumer markets like Ontario.

Canada does not have a comparable program that would allow our local organizations to similarly expand their export market. Therefore, Ontario farmers are taking two hits: they need to compete with subsidized foreign competition in the domestic market and are unable to aggressively promote Ontario products in the export market.

The Government of Canada should create a national Market Access Program to help Canadian agricultural producers expand their export market. The Market Access Program should direct sufficient funds to the products of farmers to help farmers facing tight land use restrictions such as the Greenbelt Act in Ontario and its equivalent in other provinces.

5.5 - Better Promotion of Ontario Products

In addition to increasing the supply and the quality of tender fruit and grapes though replant programs or expanding irrigation, the Province of Ontario has an important role to play in incenting increased demand for locally grown agricultural product.

Promotion of local grown products can be done in many ways and the Government of Ontario should continue its investments in the long standing Foodland Ontario program and other related initiatives. Similarly, provincial government grants as well as those of the Greenbelt Foundation to promote farmers markets should continue. However, when investing in the promotion of farmers markets, the Province of Ontario and the Greenbelt Foundation should ensure that locally grown products are featured as opposed to repackaged imports.

Also, the Province of Ontario should permanently shelve recent proposals to increase the use of government inspectors to police farmers markets when few if any complaints have arisen. Aside from continuing current promotional activity, there is more that can be done:

Buy Ontario Policy:

The Province of Ontario should adopt the proposal of the Ontario PC Party to institute a Buy Ontario policy within government. The Province would lead by example by encouraging provincial ministries and the agencies they fund (including hospitals, schools and long-term care homes) to purchase Ontario-produced products, including fruits, vegetables and meats. Similarly, provincially funded breakfast, lunch or nutritional snack programs in Ontario schools should purchase Ontario grown product when available or in season as requested by Ontario's commodity groups.

In addition to opening up a sizeable market to Ontario farmers, adopting a Buy Ontario policy would send a message to other businesses and Ontario families about the importance of supporting our local farmers. Given the importance of fruit and vegetables in meals, such a policy would be a boon to both of Ontario's specialty crop areas in the Greenbelt.

Tim Hudak visits the Peach Country Farm Market in Vineland, Ont. (above) and the Backus family farm, also in Vineland.

Ontario VQA Wine Stores:

Ontario VQA (Vintners Quality Alliance) wines are made with 100 per cent Ontario-grown grapes and meet high quality standards. VQA wines have a tremendous spin off in agriculture and in tourism in the Greenbelt. According to a study commissioned by the Ontario Wine Council, Ontario wines contribute $4.29/litre to the Ontario economy, while imported wines produce only $0.50/litre. Opening market access for these wineries (and microbreweries) would increase provincial tax

revenues; stimulate job creation in the agriculture, beverage alcohol and tourism sectors; and support the long-term viability of the Ontario Greenbelt.

In conjunction with the high level of taxation, market access is the top issue for Ontario VQA wine producers and Ontario grape growers. Aside from a handful of wineries that own licenses grandfathered under free trade, Ontario wineries are restricted by Ontario law from opening a retail store other than a single license at the winery itself. Many wineries also find it difficult to supply the LCBO because the government-owned retailer tends to favour wineries large enough to supply all of the stores in the LCBO system while VQA craft wineries produce very high quality product but in small quantities. In short, their market access is severely limited.

Furthermore, dramatically increased VQA wine sales is vital to address a potential grape surplus and to take up any enhanced wine grape supply resulting from a provincial grape replant program.

The Province of Ontario should take a two pronged approach to increase Ontario VQA wine sales. First, it should set aggressive targets – the total market for VQA wines should grow roughly 20 per cent per year for the next five years – for increased VQA wine sales in the LCBO and incent LCBO employees to reach that target. Secondly, the Province of Ontario should allow for a parallel system of private retail stores that specialize in Ontario VQA wine to open up in Ontario.

Potential examples include the model proposed by Bill 7, the Ontario VQA Wine Stores Act based on British Columbia's successful VQA Wine Stores or licences sold to private retailers with incentives to promote VQA wine and Ontario microbreweries. Revenues from the sale of licences and associated tax revenue should be used to support the grape replant plan.

Truth in Wine Labeling:

In the spirit of the federal food labeling initiative, the Ontario wine industry should similarly review their labeling system. For example, wines currently only require a minimum of 75 per cent Canadian-grown grapes to receive the slogan "**Product of Canada**" on their label. The designation "**Cellared in Canada**" only requires 30 per cent domestic grapes. It is likely that an average shopper in the LCBO would expect these products to be fully Canadian or Ontario-made products.

Ontario wines with the VQA label are made from only domestic grapes and therefore should be the highest public policy priority.

The Canadian wine industry should take the lead and subject Canadian wines to more clear labeling standards in the spirit of the Harper Government's recent Canadian Food Labeling Initiative. For example, labels such as "Blended in Canada from domestic and imported grapes" would give consumers a better understanding of a bottle of wine's actual contents.

Directional Signage for Farms:

Ontario PC Agriculture Critic Ernie Hardeman introduced a private member's bill in June, Bill 98, that would allow farmers to post seasonal directional signage on private property adjacent to a provincial highway to bring people to the farm.

Many farmers who offer fresh Ontario-grown produce from their farm are located on country side roads, not often visible from high traffic areas. Permitting the use of directional signage would open farmers' products to new customers and passersby. The McGuinty Government should support and accelerate the passage of Bill 98 to increase productivity of farmers' on-site value added businesses.

6.0 - Conclusion

Niagara's tender fruit and grape lands are unique and stunning features on Ontario's landscape. Not only do they produce some of the world's best fruit and wines, they are a much sought after tourism destination and an increasingly attractive place to raise a family or retire.

While the Greenbelt Act of 2005 locked these lands into agricultural production in perpetuity under the specialty crop designation, further action must be taken to ensure they continue to be farmed profitably for generations to come. *Where Do We Grow from Here* suggests some potential initiatives for the Province of Ontario, Government of Canada or the industry itself to help reverse the recent decline and regrettable plant closures experienced by the tender fruit and juice grape sectors.

Most of the recommendations are regulatory in nature or call for better allocation of existing public funds and do not call for an increase in provincial spending. The replant program ($40.5 million overall) as well as the investment in Greenbelt irrigation ($95 million overall) does call for a significant financial contribution of public funds; however these initiatives can be funded both immediately and over the long term without impacting the existing provincial budget.

Given the urgency of a replant program in the face of the three value added closures, immediate funds should be dedicated from this year's $420 million contingency operating budget and/or the agriculture relief fund. Future years of the replant program could be funded by the licences and additional tax revenues generated by the introduction of Ontario VQA wine stores and increased taxes collected from the increased wine production and sales. The Greenbelt irrigation strategy should be funded under the next round of Canada-Ontario Infrastructure Fund allocations.

With the closure of the last juice grape plant in Ontario in 2007 and the closure of Ontario's last fruit cannery in 2008, the impacts on Greenbelt municipalities of changing the tax treatment of value added agriculture facilities should be relatively limited. Hopefully the tax policy will implement new processors to open and more jobs to be created, increasing the revenue stream to Greenbelt municipalities. Nonetheless, the potential losses small Greenbelt municipalities could experience can be offset by finding efficiencies within the Ministry of Finance's Ontario Municipal Partnership Fund.

In the coming months, I look forward to working with the various levels of government, industry leaders and Greenbelt residents to address the serious challenges faced by tender fruit and grape growers. As such, I welcome any comments, advice and questions concerning this report. Please send me your feedback by contacting my constituency office: toll free 1-800-665-3697, by email timhudak@niagara.net or via mail at 4961 King Street East, Unit M1, Beamsville ON L0R 1B0.

Where
do we
Grow
from here